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RUEHBU/AMEMBASSY BUENOS AIRES 4635
RUEHCV/AMEMBASSY CARACAS 1890
RUEHPE/AMEMBASSY LIMA 1933
RUEHME/AMEMBASSY MEXICO 1827
RUEHMN/AMEMBASSY MONTEVIDEO 4097
RUEHQT/AMEMBASSY QUITO 4526
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SIPDIS

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STATE FOR WHA/AND
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E.O. 12958: N/A
TAGS: [EAID](#) [ECON](#) [EFIN](#) [EINV](#) [BL](#)
SUBJECT: CONFLICT AND GOB'S LACK OF CAPACITY HINDERS
DEVELOPMENT

REF: A. LA PAZ 2599

[1B](#). LA PAZ 2197
[1C](#). LA PAZ 2457

[11](#). (SBU) Summary: On October 17, the resident coordinator of the United Nations (UN) told the Ambassador that the UN supported the Constituent Assembly as a way to unify Bolivia's population, but was worried that it would end up dividing it instead. The International Monetary Fund (IMF) resident representative said that Bolivia's macroeconomic situation is continuing its positive trend, but that several risk factors threaten mid-term growth. The resident representative of the Inter-American Development Bank (IDB) explained that IDB disbursement would only reach around USD 50 million this year due to the GOB's lack of capacity to execute projects. He added that donor coordination is failing due to GOB ineffectiveness and the lack of participation of Cuba and Venezuela in the process. The GOB has not yet released its revised national development plan and has postponed the next donor consultative group meeting until April. End summary.

[12](#). (SBU) UN Resident Coordinator Antonio Molpeceres told the Ambassador on October 17 that Bolivia was like a pressure cooker that would not explode, because it frequently let off steam through political protests. However, the constant political upheaval impedes development. He said that the UN has been a long-time supporter of Bolivia holding a Constituent Assembly in order to resolve political problems and unify the country, but is worried that the process may end up dividing it instead. He viewed a Constituent Assembly multi-party commission's recent request for international aid as a positive sign that the Assembly members want to move in the right direction. He said that the UN has a good relationship with the government, partially because of the UN assistance provided during last year's flooding.

[13](#). (SBU) IMF Resident Representative Esteban Vesperoni said

that Bolivia's macroeconomic situation continues to be positive due to a favorable external environment and the GOB's continuation of its predecessors' prudent management during its first ten months in office. Fiscal figures are positive, in large part because of the GOB's lack of capacity to execute spending plans, but also because of proactive government measures to broaden the tax base. However, mid-term prospects depend on the government's management of several risk factors, including unemployment, respect for property rights, improving the poor investment climate, land reform, and loss of U.S. trade benefits in December. He added that although the Central Bank has not moved in the wrong direction yet, some congressmen are interested in exerting greater political pressure on the Bank (ref A).

14. (SBU) IDB Resident Representative Joel Branski said that IDB has a USD 400 million portfolio waiting to be disbursed in Bolivia, but that because of the GOB's lack of capacity it expects to disburse only USD 50 million this year, focusing on productive infrastructure, competitiveness, and governmental administrative capacity. Because Bolivia's annual debt payment to the Bank is USD 120 million, Bolivia will have a negative cash flow to the Bank this year. This negative flow is causing the government to increase its pressure on the local IDB office for debt relief, which Branski explained would be discussed at the November 17 IDB Debt Committee meeting in Washington. The Bank is scheduled to release its new country strategy for Bolivia during the first quarter of 2007.

15. (SBU) Branski added that the donor coordination process, tested at a donor coordination meeting in Santa Cruz the week of October 9, is not functioning due to lack of capacity in the government and lack of participation in the process by

Cuba and Venezuela. The GOB had originally planned to convene a donor consultative group meeting in February in Paris (ref B), but has postponed the meeting until April in Brussels. According to Branski, the government has not yet released a revised, more detailed version of its national development plan, which the government had promised to release the third week of September (ref C).

16. (SBU) Comment: Without a detailed, practical national development plan, the GOB will have trouble drumming up donor support. As the plan relies on donor support for around 50 percent of its financing, the GOB will not be able to implement its economic agenda without this support. End comment.
GOLDBERG